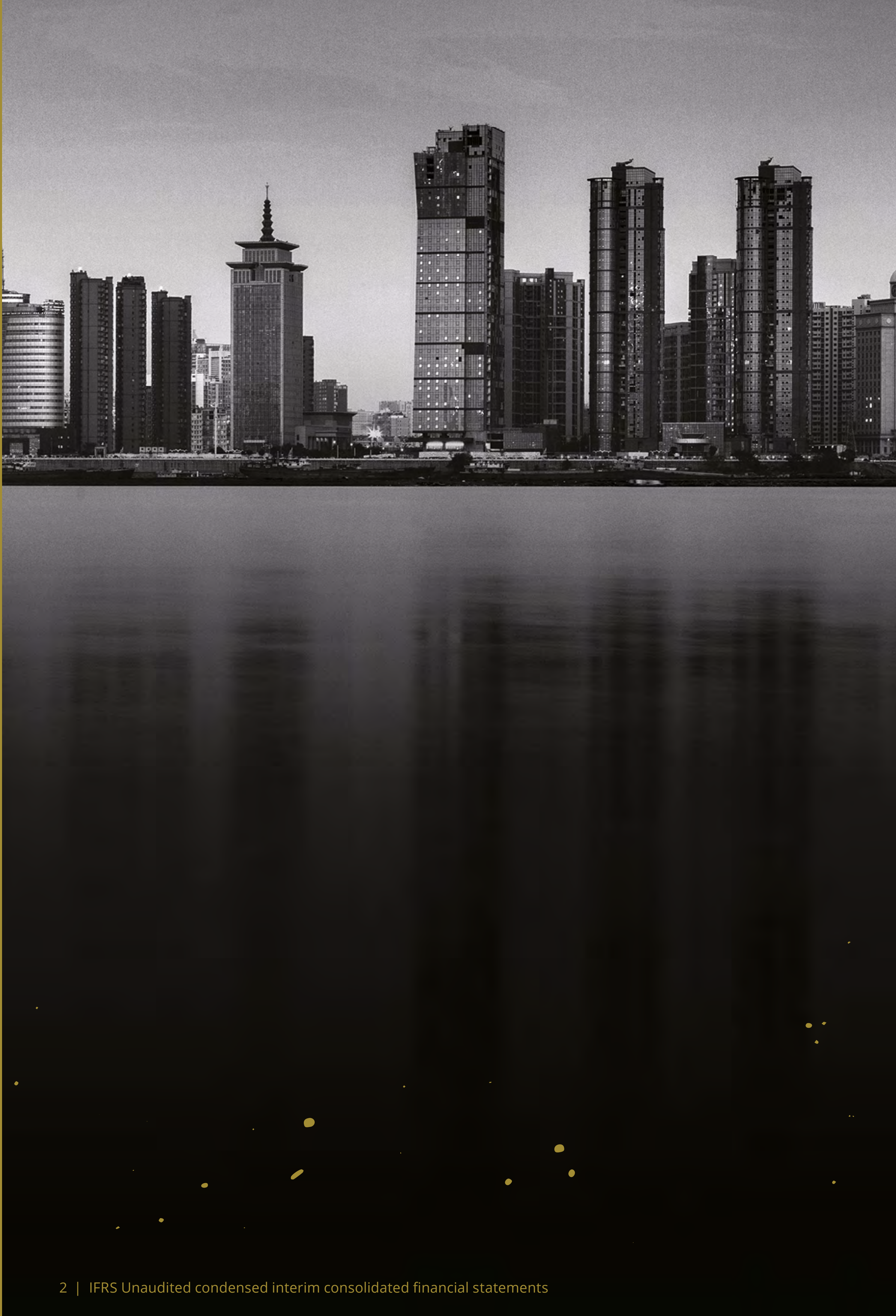
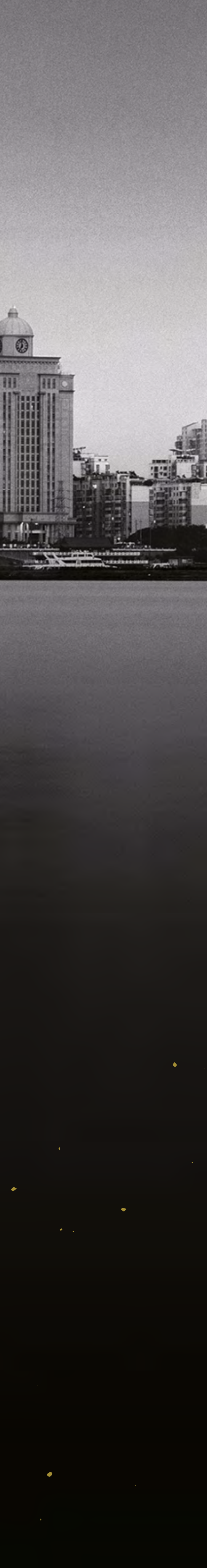
ferratum

HALF-YEAR REPORT 1 JANUARY– 30 JUNE 2018





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COMPANY OVERVIEW AND BUSINESS MODEL

Ferratum Oyj and its subsidiaries form the Ferratum Group ("Ferratum" or the "Group") which is an international provider of mobile financial services. Ferratum, headquartered in Helsinki, Finland, was founded in May 2005 and has rapidly expanded its operations across Europe, South and North America, Africa and the Asia-Pacific region.

Ferratum is at the forefront of the digital banking revolution and has been a pioneer in digital lending. Over the past 13 years, Ferratum has developed proprietary credit scoring algorithms that can deliver instant credit decisions, allowing Ferratum to make fully risk-assessed lending decisions at a pace unmatched by the traditional banking and lending industries. Ferratum's technology and services have been built around real customer behaviour and experience, enabling Ferratum to offer secure, easy-to-use, real time digital products and diversify the range of products available in its countries of operation as Ferratum quickly understands the credit behaviour of customers in each new market. Using big data technology, and centralizing IT systems and customer services as the group has expanded geographically, Ferratum has achieved balanced, profitable growth in every year of operation, underpinned by the ability to rapidly launch innovative new products in new countries and markets.

Ferratum is currently represented in 25 countries, 23 with lending activities and in five of these countries (Sweden, Germany, Norway, Spain and France) with a mobile banking service. An EU banking license enables passporting of financial services to all EU countries. With 2.01 million active and former customers over all geographies who have been granted one or more loans in the past, Ferratum is one of the leading international providers of mobile loans to consumers and small businesses.

Ferratum provides retail customers with digital borrowing solutions to suit a wide range of financial needs and circumstances. Microloan offers consumers quick and straightforward access to small cash amounts to meet immediate, short term financial needs ranging from EUR 25 to EUR 1,000 with durations between 7 days and 90 days; PlusLoan is a more flexible loan product, ranging between EUR 300 and EUR 5,000 and a duration between 2 months and 3 years, which is repayable in installments to help customers to budget their finances. Credit Limit is a digital revolving credit line offering up to EUR 3,000. Borrowers are granted a maximum credit limit, which can be used or repaid at any time. Borrowers are only charged for the funds they withdraw, helping customers to budget according to their cash flow. Primeloan, launched in Finland in 2017, is a longer term consumer lending product ranging from EUR 3,000 to EUR 20,000 with a duration between 1 to 10 years enabling customers to budget for more significant purchases such as a car or home improvements. In 2015, Ferratum expanded into small business lending providing loans up to EUR 250,000 with a term of 6 to 18 months.

Ferratum continues to evolve to fulfill its long-term vision of becoming a leading international mobile bank offering an ever-wider range of products. The Ferratum Mobile Bank, launched by Ferratum Bank p.l.c. in 2016, is an innovative mobile-only bank that puts the customer in control of their financial affairs. Offering real time digital payments and transfers, and available in a range of currencies, the Mobile Bank offers an extensive range of banking services including current accounts, overdrafts, savings, term deposits and a multi-currency contactless debit card, giving customers the freedom to manage their finances, via their mobile, whenever they need to, wherever they go. The technology platform supporting the Mobile Bank is designed to be scalable and will enable Ferratum to diversify its revenue by integrating additional products and services with partners in consumer-facing sectors, such as travel, utility and entertainment, in the near future.

January – June 2018 Highlights

+19.8% Group revenue of EUR 124.2 million, up 19.8%

+21.4% Operating profit (EBIT) of EUR 18.1 million, up 21.4% year-on-year

14.6% EBIT margin of 14.6%

€9.7m Profit before tax (EBT) of EUR 9.7 million, down 17.3% year-on-year, due to increased financial costs

€0.38 EPS (basic & diluted) decreased 17.4% to EUR 0.38 per share

€100m Successful placement of EUR 100 million bonds by Ferratum Capital Germany GmbH

€282m Net book value of loan portfolio, up 9.6% to EUR 282.2 million

+16.3% Active / former customer base increased 281,052 to 2.01 million, up 16.3% year-on-year

BOARD OF DIRECTORS REPORT H1 2018

Financial Overview

Financial highlights, EUR '000	Jan - Jun 2018	Jan - Jun 2017	% change
Revenue	124,232	103,730	+19.8%
Operating profit	18,144	14,942	+21.4%
Profit before tax	9,728	11,763	-17.3%
Net cash flows from operating activities before movements in loan portfolio and deposits received	59,743	51,605	
Net cash flow from operating activities	(10,023)	(5,165)	
Net cash flow from investing activities	(6,698)	(4,164)	
Net cash flow from financing activities	56,255	14,653	
Net increase/decrease in cash and cash equivalents	39,535	5,323	
Profit before tax %	7.8	11.3	-30.9%

* restated: the amount of increase / decrease in interests accrued was taken out and included in the net cash flows from operating activities (after movements in loan portfolio)

Financial highlights, EUR '000	30 Jun 2018	31 Dec 2017	% change
Accounts receivable - loans to customers (net)	282,209	257,406	+9.6%
Deposits from customers	188,474	174,301	+8.1%
Cash and cash equivalents	170,820	131,832	+29.6%
Total assets	503,178	436,595	+15.3%
Non-current liabilities	137,709	64,167	+114.6%
Current liabilities	262,406	267,185	-1.8%
Equity	103,064	105,243	-2.1%
Equity ratio %	20.5	24.1	
Net debt to equity ratio	2.22	1.90	

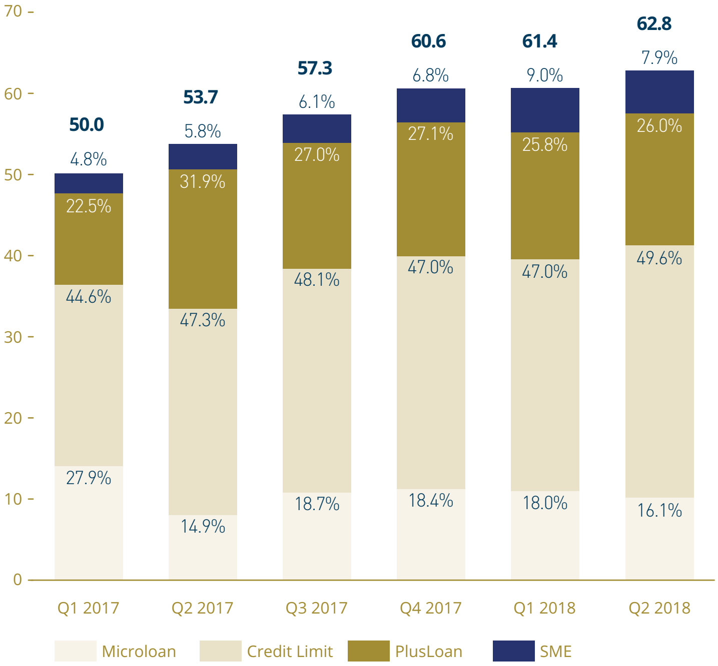
Calculation of key financial ratios

$$\text{Equity ratio (\%)} = 100 \times \frac{\text{Total equity}}{\text{Total assets}}$$

$$\text{Net debt to equity ratio} = \frac{\text{Total liabilities – cash and cash equivalents}}{\text{Total equity}}$$

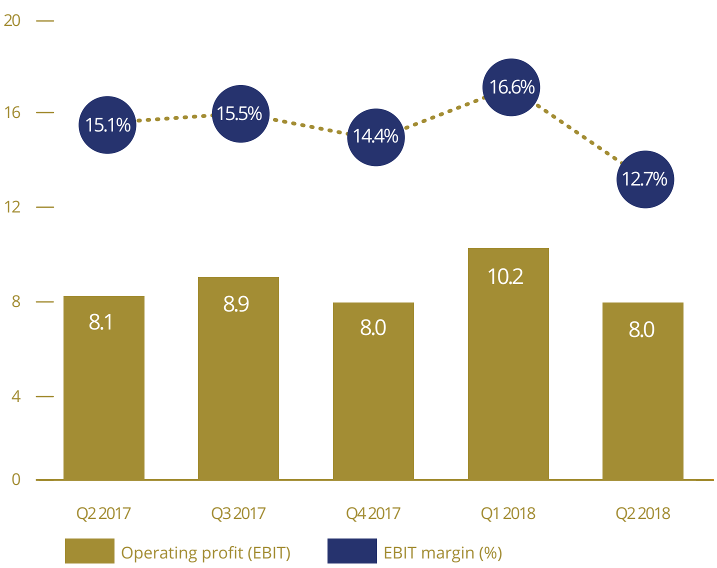
$$\text{Profit before tax (\%)} = 100 \times \frac{\text{Profit before tax}}{\text{Revenue}}$$

Revenue



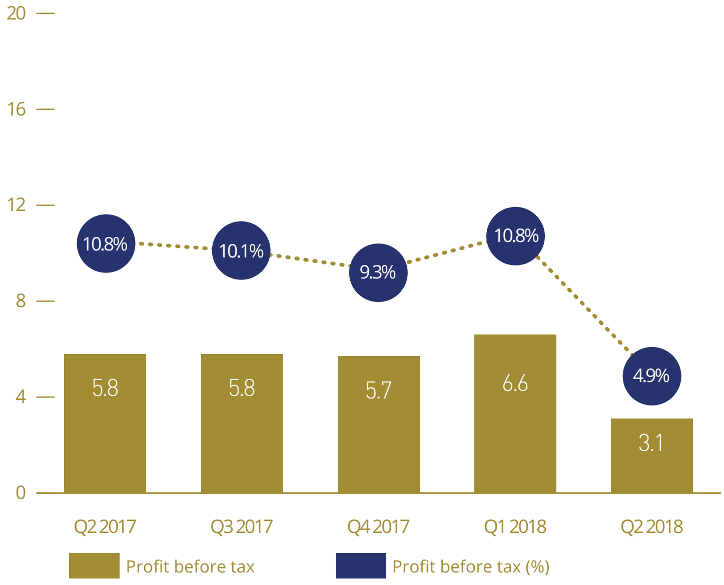
- Revenue in H1 2018 was up 19.8% y-o-y to EUR 124.2 million (H1 2017: EUR 103.7 million)
- Revenue growth of 2.3% in Q2 2018 compared to Q1 2018
- Revenue share of Microloan in H1 2018 decreased from 21.2% to 17% y-o-y
- Revenue share of PlusLoan in H1 2018 decreased from 27.4% to 25.9% y-o-y
- Revenue share of Credit Limit in H1 2018 increased from 46% to 48.3% y-o-y
- Revenue share of SME loans in H1 2018 increased from 5.3% to 8.4% y-o-y

Operating profit (EBIT)



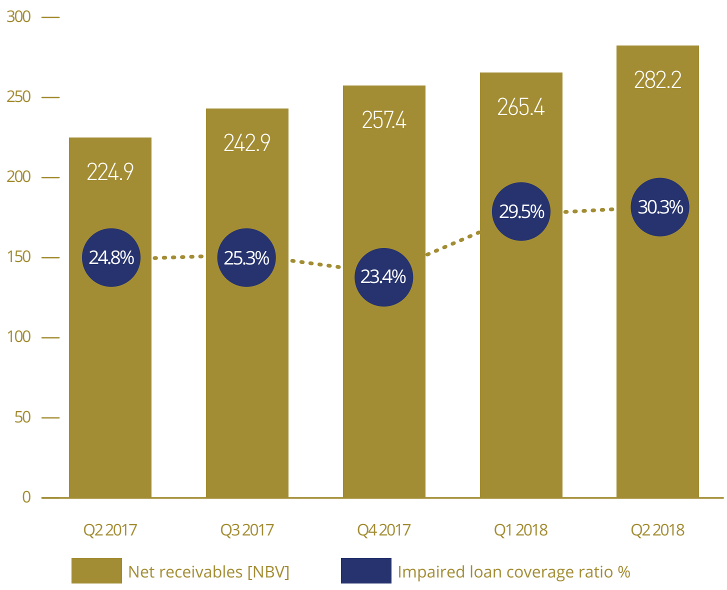
- EBIT in H1 2018 increased by 21.4% year-on-year to EUR 18.1 million
- Q2 2018 EBIT margin of 12.7%
- Personnel expenses in H1 2018 grew by 32.8% y-o-y to EUR 22.2 million
- H1 2018 selling and marketing expenses (+24.3% y-o-y to EUR 19.7 million) and lending costs (+20.3% y-o-y to EUR 5.8 million) increased at a faster rate than revenue
- Other operating expenses in H1 2018 increased by 13.5% y-o-y

Profit before tax (EBT)



- EBT in H1 2018 decreased 17.3% y-o-y to EUR 9.7 million, impacted by currency losses of EUR 2.8 million
- Net finance costs increased to EUR 8.4 million (H1 2017: EUR 3.2 million) due to FX losses of EUR 2.8 million in H1 2018 (H1 2017: EUR 0.4 million FX gain) and interest on increased bond volumes

Loans to customers



- Net receivables up 9.6% to EUR 282.2 million at the end of H1 2018 from EUR 257.4 million at the end of 2017

Customer Base

	Jan - Jun 2018	Jan - Jun 2017	Growth in %
Total customers*	2,006,296	1,725,244	16.3%
New customers	130,152	163,557	-20.4%
Active customers**	786,639	744,086	5.7%

*Customers who have been granted one or several loans in the past or has an open Mobile Bank account. ** Customers with a Mobile Bank account and lending customers who have had an open balance in the last 12 months. If loans are >24m overdue, the customer is not considered active.

KEY DEVELOPMENTS AND PROGRESS

Shareholder structure

Jorma Jokela holds, directly and indirectly, 11,985,470 shares as at 30 June 2018, which represents 55.17% of the total issued share capital of Ferratum. The free float of Ferratum amounted to 44.16% of the total issued share capital as of 30 June 2018.

Financial performance

Ferratum Group delivered further growth in the first six months of 2018, building on the record performance of 2017, albeit that the relative pace of growth was moderated by a decline in approval rates for new loans as a result of changes to the Group's automated credit scoring processes.

Group revenues increased by 19.8% to EUR 124.2 million, with Ferratum's premium, higher value products such as Credit Limit and PlusLoan together representing 74.2% of this result, a marginal increase on the comparable period in H1 2017. Microloan revenues of EUR 21.2 million continued to represent a diminishing proportion of turnover, being 3.8% lower than Microloan revenue for H1 2017, but this ongoing marginal decline is reflective of the Group's successful strategy of positioning Microloans as an initial 'beachhead' to understand customer behaviour while prioritising longer term lending as Ferratum's brand becomes more established in each country.

Business lending to Small-Medium Enterprises (SMEs) is becoming an increasingly material customer segment for the Group, generating EUR 10.4 million of revenue in the first six months, an 89% increase on SME revenues for H1 2017.

Ahead of the period end, the Board of Ferratum acknowledged that recent changes to the Group's credit scoring processes were having a counterproductive impact on loan approval rates, and on 27 June 2018 the Board announced that Ferratum would be revising its risk assessment criteria to ensure that the Group does not reject credit risks that have in the past proven to be acceptable.

The objective is to ensure that Ferratum's automated credit assessment procedures remain tailored to the specific customer payment behaviour and hence risk tolerances that Ferratum has observed for each country of operation in order to maintain the overall track record of growth that Ferratum has historically achieved across all geographies of operation.

As the table of quarterly product revenues below illustrates, despite the temporary impact on revenues of lower loan approval rates – especially in the PlusLoan segment – the quarter-on-quarter picture indicates that Credit Limit and PlusLoan remain stable, core drivers for growth in line with Ferratum's product growth strategy.

Recent country launches in SME business lending (mainly UK and Australia) have required corrective actions on credit scoring in Q2 2018 due to suboptimal payment bahaviour, but underlying SME lending growth across markets overall remains strong and is expected to continue its rapid growth path.

As previously communicated, the Group expects modest contributions from the Mobile Bank and Partnerships while Ferratum continues to develop its suite of Mobile Bank services and assess the commercial potential for its pilot partnership project in Sweden with Thomas Cook Money.

Revenues per product per quarter

EUR '000	Microloan	PlusLoan	Credit Limit	SME	Mobile Bank / Other	Total
Fiscal quarter						
Q1 2016	13,426	5,458	13,823	476	30	33,213
Q2 2016	13,567	7,405	15,348	837	57	37,215
Q3 2016	11,942	7,913	17,010	1,227	126	38,218
Q4 2016	13,901	9,456	20,264	1,710	152	45,483
Q1 2017	13,975	11,294	22,329	2,390	21	50,009
Q2 2017	8,020	17,152	25,391	3,127	32	53,722
Q3 2017	10,729	15,456	27,574	3,483	33	57,276
Q4 2017	11,162	16,413	28,480	4,134	444	60,632
Q1 2018	11,058	15,852	28,901	5,508	123	61,442
Q2 2018	10,110	16,326	31,139	4,937	277	62,789

Operating profit (EBIT) for H1 2018 increased by 21.4% year-on-year to EUR 18.1 million. The EBIT profitability margin remained near the midpoint of Ferratum's 2018 fiscal guidance range, with a marginal improvement to 14.6% for H1 2018, from 14.4% for H1 2017, as a result of lower realised credit losses (impairment on loans) and stable marketing costs compared with H1 2017. The gross impairment on loans ratio improved from 34.6% in H1 2017 to 32.7% for H1 2018.

Operational developments

As announced at 27 June 2018, the Group is taking remedial action to ensure that the Group's automated credit assessment processes do not reject credit risks that have in the past proven to be acceptable. These measures are being rolled out and tailored to address the specific customer behaviour and risk profiles across all countries of operation. Furthermore, Ferratum will be undertaking a number of additional management actions to improve performance, including the strengthening of top management, staff streamlining, the rebalancing of resources to prioritise enhanced risk management and automation of lending processes in existing markets, and a review of all geographies with a view to potentially withdrawing from one or two non-performing countries.

Finance and treasury update

Due to the adoption of the new IFRS 9 accounting standard – with effect from 1 January 2018, the risk provisions of the Group had to be increased by EUR 9.2 million from this effective date. This one-time increase of the risk provision reduced the equity of the Group by EUR 7.5 million as the increased risk provisions were partially offset by deferred tax assets of EUR 1.7 million. The adjustment was booked directly to the Group's equity and did not affect the reported profit for H1 2018. Overall, Group equity decreased marginally to EUR 103.1 million as at 30 June 2018 from EUR 105.2 million as of 31 December 2017.

The net debt to equity ratio remains strong at 2.2x and comfortably below the limit of 3x as required by Ferratum's bond covenants.

The profit before tax (EBT) declined by 17.3% y-o-y to EUR 9.7 million, mainly as a result of unfavourable foreign exchange movements during H1 2018 attributable to the weakening of the Swedish Krona and the Polish Zloty, as illustrated in the table below.

The Group has substantial credit portfolios. Due to increasing foreign exchange volatility, Ferratum's intention is to further increase the proportion of its currency exposure that is hedged.

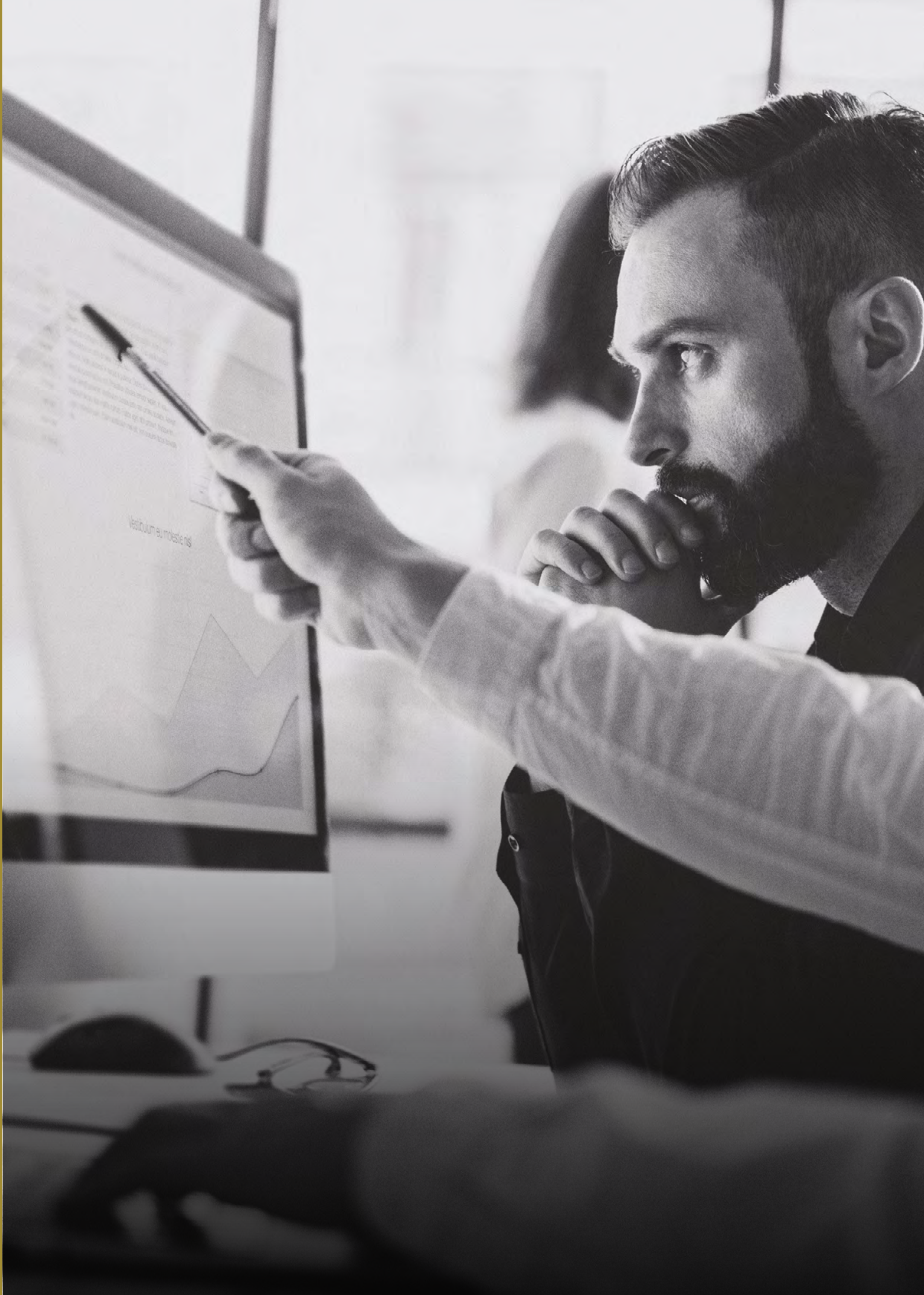
Net receivables from customers grew by 9.6% to EUR 282.2 million from EUR 257.4 million. Deposits from customers increased by 8.1% to EUR 188.5 million vs EUR 174.3 million as at 31 December 2017, but is 2.2% lower than the EUR 192.7 million as at 31 March 2018 as the Group reduced interest rates to maintain balanced sources of funding and capital adequacy ratios. The intention of management is to further reduce the inflow of deposits as appropriate to ensure that the Group optimises its liquidity position.

During the second quarter, Ferratum Capital Germany GmbH, a subsidiary of Ferratum Oyj, successfully issued EUR 100 million of new senior unsecured bonds in order to refinance its outstanding EUR 45 million of bonds maturing in October 2018. The additional funds raised will be used to finance continued growth of the Group. The new senior unsecured bonds have a coupon of 3 months Euribor plus 5.50 per cent p.a. and a tenor of four years. The bonds have been listed on Frankfurt Stock Exchange Open Market and after the period end been listed on Nasdaq Stockholm with ISIN: SE0011167972. The Group intends to also list the bond on the Frankfurt Stock Exchange Prime Standard (best effort basis) in Q3 2018. The bond has a tap option which allows Ferratum to increase the volume by an additional EUR 50 million.

Ferratum's group rating of BBB+ was reconfirmed by Creditreform AG during March 2018 in its regular annual review.

During the Annual General Meeting held in Helsinki on 19 April 2018, shareholders approved the payment of a final dividend of EUR 0.18 per share for the financial year 2017.

EUR '000	Q2 2018	Q1 2018	H1 2018	H1 2017
AUD	0.045	-0.193	-0.148	-0.124
CZK	-0.381	0.049	-0.322	0.423
PLN	-0.964	-0.284	-1.248	0.197
GBP	-0.080	0.131	0.051	-0.061
SEK	-0.271	-0.900	-1.172	-0.044
Other currencies	0.046	0.043	0.089	0.005
FX impact on P&L	**-1.605**	**-1.154**	**-2.759**	**0.396**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Subsequent events

On 13 July 2018 Ferratum Bank p.l.c., a wholly owned subsidiary of Ferratum, announced that the EUR 40 million of senior unsecured bonds due March 2020 with ISIN FI400023283 ceased to be listed on the European Wholesale Securities Market (EWSM) with effect from 13 July 2018 as a result of the decision by Euronext N.V. to close the EWSM with effect from the same date.

Ferratum Bank p.l.c. has not sought to list the bonds on any other Maltese exchange, but bondholders should note that the bonds remain listed and tradable on Nasdaq Stockholm (regulated market) and Frankfurt Stock Exchange (Open Market).

Personnel

At the end of June 2018 Ferratum Group employed 958 persons compared with 857 persons at the end of 2017.

Risk factors and management

Ferratum Group takes moderate and calculated risks in conducting its business. The prudent management of risks minimizes the probability of unexpected losses and threats to the reputation of the Group. Therefore, it can enhance profitability and shareholder value.

The Board of Directors monitors operations regularly and is ultimately responsible for adequate risk management and ensuring that the company has access to the appropriate software, including instructions on controlling and monitoring risks. The CEO is responsible for the daily operations of the Group. Each member of the Management Team ultimate bears responsibility for identifying and controlling the risks related to their functions in line with instructions from the Board. Ferratum proactively follows all legal changes that might occur in the countries it operates in and adjusts its operations accordingly, while always considering customer and user experience.

The risks of Ferratum's operations can be divided into four main categories: credit risks (receivables from customers), market risks (including foreign exchange risks, interest rate risks and other price risks), liquidity risks (cash flow and financing risks, as well as covenant compliance and regulatory requirements and compliance) and operational risks (such as IT risks, legal and regulatory risks and other operational risks).

Exposure to credit risks arises principally from Ferratum's lending activities. The risk is managed by proprietary risk management tools which assist subsidiaries in evaluating the payment behaviour of customers. These tools which are continuously updated and refined, ensure that only solvent customers are accepted, thereby controlling the level of credit losses. The scoring system and the credit policies of the Group's subsidiaries are managed by the central risk department.

The risk department is also responsible for the measurement of the payment behaviour of the credit portfolio on a daily, weekly and monthly basis. Risk provisioning and the calculation of the impairments are independently managed by the central finance department.

Market risks arise from open positions in interest rate and currency products. They are managed by the central treasury department, which is also responsible for Group cash flow planning and ensures the necessary liquidity level for all Group entities. Ferratum uses derivative financial instruments to hedge certain risk exposures (see note 3: Financial Risk Management).

Ferratum Group has rigorous processes in place to forecast and monitor the Group's liquidity requirements to ensure that it has sufficient cash available at all times to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, currency restrictions, for example.

Operational risks, IT risks as well as legal and regulatory risks are of high relevance for Ferratum. Regulatory and legal risks are managed centrally by the Group's legal function in close cooperation with the authorities in the respective countries and relevant stakeholders. Potential or foreseeable changes in applicable laws are analyzed on an ongoing basis and any necessary modifications to Ferratum's legal structure are implemented proactively.

The smooth and continuous operation of critical IT systems is effectively guaranteed by various information security solutions. Ferratum has developed its processes and systems in order to offer its customers, stakeholders and partners the most efficient and practical software designed to cater to the demands of the developing mobile consumer lending industry.

Consolidated income statement for the period 1 January to 30 June 2018

EUR '000	Note	2018	2017
		6 months ended 30 June	
Revenue		124,232	103,730
Other income		16	20
Impairments on loans		(40,609)	(35,899)
Operating expenses:			
Personnel expenses		(22,151)	(16,677)
Selling and marketing expenses		(19,734)	(15,872)
Lending costs		(5,756)	(4,786)
Other administrative expenses		(1,074)	(1,510)
Depreciations and amortization		(2,338)	(1,338)
Other operating expenses		(14,442)	(12,726)
Operating profit		**18,144**	**14,942**
Financial income		92	643
Finance costs		(8,508)	(3,822)
Finance costs – net		(8,416)	(3,179)
Profit before income tax		**9,728**	**11,763**
Income tax expense		(1,459)	(1,761)
Profit for the period		**8,269**	**10,002**
Earnings per share, basic		**0.38**	**0.46**
Earnings per share, diluted		**0.38**	**0.46**
Profit attributable to:			
– owners of the parent company		8,269	10,002
– non-controlling interests (NCI)		-	-

Consolidated statement of comprehensive income for the period 1 January to 30 June 2018

EUR '000	Note	2018	2017
		6 months ended 30 June	
Profit for the period		8,269	10,002
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss		353	(300)
Translation difference			
Total items that may be subsequently reclassified to profit or loss		353	(300)
Total comprehensive income		**8,621**	**9,702**
Allocation of total comprehensive income to:			
– owners of the parent company		8,621	9,702
– non-controlling interests (NCI)		-	-

Consolidated income statement quarterly overview

EUR '000	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue	62,789	61,442	60,632	57,276	53,722	50,009
Other income	10	6	334	180	7	13
Impairments on loans	(21,743)	(18,866)	(19,352)	(20,378)	(18,719)	(17,180)
Operating expenses:						
Personnel expenses	(11,325)	(10,826)	(10,010)	(8,688)	(8,759)	(7,918)
Selling and marketing expenses	(9,706)	(10,028)	(12,226)	(9,086)	(7,994)	(7,877)
Lending costs	(2,917)	(2,839)	(2,630)	(2,729)	(2,406)	(2,380)
Other administrative expenses	(667)	(407)	(238)	(457)	(802)	(708)
Depreciations and amortization	(1,256)	(1,082)	(751)	(721)	(672)	(667)
Other operating expenses	(7,209)	(7,233)	(7,732)	(6,528)	(6,285)	(6,441)
Operating profit	**7,975**	**10,169**	**8,027**	**8,868**	**8,093**	**6,849**
Financial income	77	15	21	(566)	(322)	965
Finance costs	(4,951)	(3,557)	(2,379)	(2,491)	(1,954)	(1,868)
Finance costs – net	(4,874)	(3,542)	(2,359)	(3,057)	(2,276)	(903)
Profit before income tax	**3,102**	**6,626**	**5,669**	**5,812**	**5,817**	**5,946**
Income tax expense	(466)	(994)	(549)	(875)	(869)	(892)
Profit for the period	**2,636**	**5,633**	**5,120**	**4,937**	**4,948**	**5,054**
Profit attributable to:						
– owners of the parent company	**2,636**	**5,633**	**5,120**	**4,937**	**4,948**	**5,054**
– non-controlling interests (NCI)	-	-	-	-	-	-

Consolidated statement of comprehensive income quarterly overview

EUR '000	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Profit for the period	**2,636**	**5,633**	**5,120**	**4,937**	**4,948**	**5,054**
Other comprehensive income items that may be subsequently reclassified to profit or loss						
- translation differences	(121)	473	(809)	(251)	(355)	55
Total items that may be subsequently reclassified to profit or loss	(121)	473	(809)	(251)	(355)	55
Total comprehensive income	**2,515**	**6,106**	**4,311**	**4,686**	**4,593**	**5,109**
Allocation of total comprehensive income to:						
- owners of the parent company	2,515	6,106	4,311	4,686	4,593	5,109
- non-controlling interests	-	-	-	-	-	-

Consolidated statement of financial position

EUR '000	Note	30 June 2018	31 Dec 2017
Assets			
Non-current assets			
Property, plant and equipment		4,148	3,482
Intangible assets		23,677	20,037
Government stocks		8,693	8,851
Deferred income tax assets		5,954	3,757
Total non-current assets		**42,473**	**36,128**
Current assets			
Accounts receivable - loans to customers		282,209	257,406
Other receivables		5,730	10,554
Derivative assets		1,341	156
Income tax assets		606	519
Cash and cash equivalents (excluding bank overdrafts)		170,820	131,832
Total current assets		**460,706**	**400,468**
Total assets		**503,178**	**436,595**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		40,134	40,134
Treasury shares		(142)	(142)
Reserves		(3,269)	(2,240)
Unrestricted equity reserve		14,708	14,708
Retained earnings		51,634	52,783
Total equity		**103,064**	**105,243**
of which related to non-controlling interests			
Liabilities			
Non-current liabilities			
Borrowings		137,596	64,049
Other payables		-	-
Deferred income tax liabilities		113	118
Total non-current liabilities		**137,709**	**64,167**
Current liabilities			
Income tax liabilities		1,166	1,867
Deposits from customers		188,474	174,301
Borrowings		56,819	69,741
Derivative liabilities		-	790
Trade payables		7,482	9,838
Other current liabilities		8,465	10,648
Total current liabilities		**262,406**	**267,185**
Total liabilities		**400,114**	**331,352**
Total equity and liabilities		**503,178**	**436,595**

Consolidated statement of cash flow

EUR '000	2018	2017
	6 months ended 30 June	
Cash flows from operating activities		
Profit/loss for the period	**8,269**	**10,002**
Adjustments for:		
Depreciation and amortization	2,338	1,338
Finance costs, net	8,416	3,179
Tax on income from operations	1,459	1,761
Transactions without cash flow	873	688
Impairments on loans	**40,609**	**35,899**
Working capital changes:		
Increase (-) / decrease (+) in other current receivables and government stocks	3,797	676
Increase (+) / decrease (-) in trade payables and other liabilities (excl. Interest liabilities)	196	1,768
Interest paid	(3,945)	(3,309)
Interest received	-	-
Other financing items	-	680
Income taxes paid	(2,270)	(1,076)
Net cash from operating activities before movements in loan portfolio and deposits received	**59,743**	**51,605**
Deposits received	14,173	19,722
Movements in the portfolio:		
Movements in gross portfolio	(77,703)	(52,024)
Fully impaired portfolio write-offs	(6,235)	(24,469)
Net cash from operating activities	**(10,023)**	**(5,165)**
Cash flows from investing activities		
Purchase of tangible and intangible assets	(6,698)	(3,699)
Proceeds from sale of tangible and intangible assets	-	-
Purchase of investments and other assets	-	(466)
Net cash used in investing activities	**(6,698)**	**(4,164)**
Cash flows from financing activities		
Proceeds from short-term borrowings	(24,747)	20,000
Repayment of short-term borrowings	(99)	(18,133)
Proceeds from long-term borrowings	98,045	15,375
Repayment of long-term borrowings	(13,111)	-
Dividends paid / distribution of funds	(3,832)	(2,589)
Net cash used in financing activities	**56,255**	**14,653**
Net increase/decrease in cash and cash equivalents	**39,535**	**5,323**
Cash and cash equivalents at the beginning of the period	131,832	73,059
Exchange gains/(losses) on cash and cash equivalents	(547)	1,015
Net increase/decrease in cash and cash equivalents	39,535	5,323
Cash and cash equivalents at the end of the period	**170,820**	**79,397**

Consolidated statement of changes in equity

Changes in equity Jan – Jun 2017 EUR '000	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves
Opening balance 1 Jan, 2017 (audited)	**40,134**	**(142)**	**14,708**	**544**
Comprehensive income				
Profit or loss				
Other comprehensive income				
Currency translation difference:				
Total comprehensive income				
Transactions with owners				
Distribution of funds				
Transfers between items				173
Share-based payments				
Other changes				
Total transactions with owners				**173**
Total equity 30 Jun, 2017 (unaudited)	**40,134**	**(142)**	**14,708**	**717**

Changes in equity Jan – Jun 2018 EUR '000	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves
Opening balance 1 Jan, 2018 (audited)	**40,134**	**(142)**	**14,708**	**717**
Comprehensive income				
Profit or loss				
Other comprehensive income				
Currency translation difference:				(0)
Total comprehensive income				**(0)**
Transactions with owners				
Distribution of funds				
IFRS 9 impact				
Share-based payments				
Other changes				112
Total transactions with owners				**112**
Total equity 30 Jun, 2018 (unaudited)	**40,134**	**(142)**	**14,708**	**830**

Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
(1,746)	**34,377**	**87,875**	**0**	**87,875**
	10,002	10,002	0	10,002
(173)	(127)	(300)	0	(300)
(173)	**9,875**	**9,702**	**0**	**9,702**
	(2,589)	(2,589)	0	(2,589)
	(173)	0	0	-
	688	688	0	688
	(2,075)	**(1,901)**	**0**	**(1,901)**
(1,919)	**42,177**	**95,675**	**0**	**95,675**

Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
(2,957)	**52,783**	**105,243**	**0**	**105,243**
	8,269	8.269	0	8,269
(1,142)	1,494	353	0	353
(1,142)	**9,763**	**8,621**	**0**	**8,621**
	(3,832)	(3,832)	0	(3,832)
	(7,521)	(7,521)	0	(7,521)
	873	873	0	873
	(432)	(319)	0	(319)
	(10,912)	**(10,800)**	**0**	**(10,800)**
(4,099)	**51,634**	**103,064**	**0**	**103,064**

1. GENERAL INFORMATION

Ferratum Group is one of the leading providers of mobile consumer loans globally. It is an independent Group and does not belong to any other Group in the financial or commercial sector. Ferratum Group operates under generally accepted ethical principles, is one of the leading players in developing the credibility of mobile consumer lending and common industry processes, and has developed its business model and processes to be efficient and customer-oriented. The identification and scoring of customers are key factors in the business globally.

The parent company, Ferratum Oyj (business identity code 1950969-1), is headquartered in Helsinki, Finland. The registered address is Ratamestarinkatu 11 A, FI-00520 Helsinki.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 interim financial reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRSs.

The accounting policies adopted are consistent with those of the previous financial year except as described below, and are not repeated in this condensed interim report.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. The interim period income taxes for the six months period ended 30 June 2018 have been accrued based on estimated annual effective income tax rate of 15% for Ferratum Group.

The preparation of financial statements pursuant to IFRS requires management to make certain critical accounting estimates. The application of the company's accounting policies also requires that management makes assumptions and exercises its judgment in the process of applying the Group's accounting policies. These assumptions and estimates affect the amounts reported of assets and liabilities, income and expenses. Actual results may diverge from these estimates. In preparing this set of financial statements, the material judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

2.2 Impairment of financial assets

At the end of each reporting period, Ferratum Group assesses whether there are objective evidences indicating that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortized cost

The criteria that Ferratum Group uses to determine objective evidences indicating impairment loss include:

(a) significant financial difficulty of the issuer or obligor;

(b) breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower that the lender would not otherwise consider; or

(d) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Ferratum Group first assesses whether objective evidences indicating impairment exist individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that there are no objective evidences of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized through profit or loss.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that consider asset type, past-due status and other relevant factors based on the Group's grading process). Each entity of Ferratum Group tracks its historical data of collected amounts and unpaid amounts on receivables. These characteristics are relevant for the estimation of future cash flows for groups of such assets since they are indicative of the debtors' ability to pay all due amounts according to the contractual terms of the assets being evaluated.

The provisions for impairment of loan receivables are recognized in the financial statements based on historical trends and a collective assessment of groups of microloans with similar credit risk characteristics. When receivables are impaired, the respective receivables carrying amount is reduced to its recoverable amount. Impairment losses are recognized through an allowance account for the purpose of reducing the asset's carrying amount to the present value of expected cash flows. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized the impairment loss previously recognized is reversed by adjusting the allowance account through profit or loss for the year. When the loans have been 100% impaired, they are written off.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Ferratum Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Ferratum Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Ferratum Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (Group treasury). Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board is responsible for the overall effectiveness of the risk management function, whose function is, however, carried out by all of the members of the Group's management.

(a) Credit risk

Ferratum Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; accordingly management carefully manages its exposure to this risk. Credit exposures arise principally through the Group's participation in short-term lending. The Group's principal credit risk exposures relating to on-balance sheet financial assets analyzed by class, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

EUR '000	30 Jun 2018	31 Dec 2017
Loans and receivables:		
Cash and cash equivalents (i)	170,820	131,832
Accounts receivable - loans to customers	282,209	257,406
Government stocks	8,693	8,851
Derivative assets	1,341	156
Other receivables	5,730	10,554
Total	**468,793**	**408,799**

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The fair value of loans and receivables are equivalent to their carrying amounts. The table represents a worst case scenario of credit risk exposure to the Group on 30 June 2018, and 31 December 2017, without taking account of any collateral held or any other credit enhancements attached.

Loans and advances to customers

Credit risk is managed centrally. Scoring and credit policies are steered centrally by the risk team. Measuring and monitoring the performance of the countries' credit portfolio's actual risk KPIs is done on different aggregation levels on a daily, weekly and monthly rhythm. Credit risk is managed and controlled on the basis of established credit processes, and within a framework of credit policy. Credit grading and monitoring systems are in place to accommodate the early identification and management of deterioration in loan quality. Credit decisions are always based on the ethical principles set by the central risk team and the business credit policy as well as being in accordance with the rules of crediting. Every agreement of crediting requires an individually shaped decision. To assess the potential customers' creditworthiness, the credit score is calculated for each new application received.

An application scorecard is used for the assessment of new customers and a behavior scorecard is used for the assessment of repeat customers. Based on the credit score obtained, customers are grouped into risk classes that determine the possible credit decision.

Ferratum Group calculates reserving needs centrally for Group accounting purposes and also supports subsidiaries in calculating their local reserving requirements. The reserving requirements are calculated based on the Gross Roll Rate Model and Transition Matrices (mathematical model of Markov Chains), which measures the probability of delinquency based on payment behavior and calculates the required risk provisions for impairment of loan receivables (reserves) accordingly. The reserving needs based on the reserve model are impaired with the market value of bad debt, i.e. expected or recent sales prices for overdue loans.

(b) Market risk

Ferratum Group takes on exposure to market risks, which are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

Foreign exchange risk

Ferratum Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Transaction risk arises from future commercial transactions, recognized assets and liabilities. Translation risk arises from net investments in foreign operations.

Ferratum Group treasury's risk management policy is to hedge the main FX exposures in non-euro currencies. Management has set up a policy to require Ferratum Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. On the reporting date, the Group companies mainly had transactions in their respective functional currencies, and accordingly, the transaction risk in the Group companies was minimal.

The Group has several investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Intra-group loans between the parent and other Group companies are usually denominated in the Group companies' functional currencies, which creates some transaction risk that is not eliminated in consolidation.

As a result of intra-group borrowings, main foreign exchange risk arises from the Polish zloty. On 30 June 2018, if the euro had weakened/strengthened by 10% against the Polish zloty with all other variables held constant, pre-tax profit for the period would have been EUR 1,167,000 higher/lower, mainly as a result of foreign exchange gains/losses on intra group borrowings (2017: EUR 2,162,000).

Based on the various scenarios, the Group occasionally manages its cash flow foreign exchange risk by using foreign exchange swaps and futures contracts. As per 30 June 2018, part of the foreign exchange risk arising from the net assets denominated in Polish zloty (PLN) was hedged by using a PLN-EUR foreign exchange futures contracts. The futures contract's nominal value was EUR 34,930,000, covering 75% of the Group's net assets denominated in Polish zloty.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Ferratum Group's main interest rate risk arises from long-term borrowings which are issued at fixed and variable rates. These expose Ferratum Group to cash flow interest rate risk which is partially offset by having a short term loan portfolio as a main asset in the Group. Increasing refinancing cost can be potentially covered by according price changes in new lending whereby the spread between lending interest and borrowing interest is comparably high. During the six months ended 30 June 2018, and the year ended 31 December 2017, Ferratum Group's borrowings at a variable rate were denominated in EUR.

EUR '000	30 Jun 2018	31 Dec 2017
Fixed interest rate borrowings	56,621	69,300
Variable interest rate borrowings	137,793	64,390
Total borrowings	**194,415**	**133,790**

Ferratum Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, Ferratum Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the various scenarios, the Group occasionally manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. As per 30 June 2018, part of the interest rate risk arising from the credit line from Nordea was hedged using a floating-to-fixed interest rate swap. The swap's nominal value was EUR 5,000,000 covering 4% of the Group's variable rate borrowings. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

On 30 June 2018, if interest rates on that date had been 100 basis points lower/higher with all other variables held constant, pre-tax profit for the period would have been EUR 1,600,000 higher/lower, mainly as a result of lower/higher interest expense on variable interest liabilities.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of Ferratum Group and aggregated by Ferratum Group finance. Ferratum Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, currency restrictions, for example. Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group treasury. Ferratum Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. On the reporting date, the Group had unused credit lines amounting to EUR 35 million.

Ferratum Group has entered into one factoring agreement in Finland, whereby a portfolio of loan receivables is transferred to a counterparty against a cash payment. The risks and benefits related to the transferred assets are not, however, transferred given that the Group has a repurchase obligation in case of the customer's default. Accordingly, the transferred assets continue to be presented as the Group's accounts receivables, and a financial liability to the transferee is recognized.

The repayment schedule for financial liabilities as of 30 June 2018, including future interest payments, is as follows. Variable interest payments are estimated based on the spot interest rate level on the balance sheet date. The amounts are undiscounted.

30 Jun 2018	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings	198			
Interest	20			
Bonds issued	56,958	40,000	100,000	
Interest	9,470	6,958	9,926	
Deposits from customers	188,474			
Interest	2,689			
Trade payables and other current liabilities	15,947			
Total, without derivatives	**273,755**	**46,958**	**109,926**	**0**
Interest rate derivatives	(34)	(34)		
Gross settled foreign exchange futures contracts				
- Inflow (-)	(56,456)			
- Outflow	55,246			

31 Dec 2017	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings	24,983			
Interest	1,068			
Bonds issued	45,000	25,000	40,000	
Interest	5,920	2,978	592	
Deposits from customers	174,301			
Interest	2,514			
Trade payables and other current liabilities	20,486			
Total, without derivatives	**274,273**	**27,978**	**40,592**	**0**
Interest rate derivatives	(43)	(43)		
Gross settled foreign exchange futures contracts				
- Inflow (-)	(49,784)			
- Outflow	50,582			

3.2 Capital management

Ferratum Group's objectives when managing capital are to safeguard Ferratum Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the Group's stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Ferratum Group may adjust the amount of dividends paid to shareholders, issue new bonds or sell assets to reduce debt.

Ferratum Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total liabilities (including 'current and non-current liabilities' as shown in the consolidated balance sheet) less cash and cash equivalents.

During the six months ended 30 June 2018, Ferratum Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio below 3.

Net debt to equity ratio	30 Jun 2018	31 Dec 2017
Cash and cash equivalents	170,820	131,832
Government stocks	8,693	8,851
Borrowings due within 1 year	(245,293)	(244,042)
Borrowings due after 1 year	(137,596)	(64,049)
Net debt	**(203,376)**	**(167,408)**
Cash and Government stocks	179,513	140,682
Gross debt - fixed interest rates	(245,095)	(243,701)
Gross debt - variable interest rates	(137,793)	(64,390)
Net debt	**(203,376)**	**(167,408)**

3.3 CARRYING VALUES AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets and liabilities valued at fair value, and for which fair value is disclosed in the notes, are classified on three levels, depending on the estimated reliability of the valuation method:

Level 1: A quoted market price for identical instruments in an active market where the Group can access on the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table shows the carrying amounts and fair values of the Group's financial instruments and their level of measurement, where the carrying amount is not a reasonable approximation of the fair value due to the short maturity.

Financial instruments, EUR '000	30 Jun 2018	30 Jun 2018	31 Dec 2017	31 Dec 2017	Level of fair value measurement
	Carrying value	Fair value	Carrying value	Fair value	
Financial assets					
Items recognized at amortized cost					
Government stocks	8,693	8,703	8,851	8,867	Level 1
Items recognized at fair value through profit and loss					
Foreign exchange derivative	1,410	1,410	156	156	Level 2
Financial liabilities					
Items recognized at amortized cost					
Loans from financial institutions	198	198	24,983	24,983	Level 3
Bonds	194,217	198,723	108,807	114,475	Level 1
Deposits from customers	188,474	188,474	174,301	174,301	Level 3
Items recognized at fair value through profit and loss					
Foreign exchange derivative			705	705	Level 2
Interest derivative	68	68	85	85	Level 2

The fair value of foreign exchange and interest derivatives is calculated as the present value of the estimated future cash flows based on observable yield curves.

Bonds are measured directly by reference to their market price in an active market.

Loans from financial institutions are fair valued based on the present value of the estimated future cash flows using the approximate interest rate for which Ferratum Group would get the loan on the reporting date. These are categorized within level 3, given that credit spread is a significant unobservable input based on management's estimation.

Carrying values for the Group's loans and receivables and trade and other short term liabilities are a reasonable approximation of their fair value and accordingly, fair value is not presented.

4. SEGMENT INFORMATION

Operating segments are based on the major product types provided by Ferratum: Microloan, PlusLoan, Credit Limit, Ferratum Business (SME) and Mobile bank (incl. Mobile Bank, FerBuy, Primeloans and Ferratum P2P).

Attributable product margin is defined and calculated as a difference between the revenue, other income and directly attributable costs of each product segment. Non-directly attributable costs are allocated according to the share in revenue and finance costs are allocated according to the portfolio size of related types of products, i.e. their share in total accounts receivable - loans to customers.

4.1 Business segments in H1 2018

EUR '000	Microloan	PlusLoan	Credit Limit	SME	Mobile bank*	Total
Revenue	21,169	32,178	60,040	10,445	400	124,232
Share in Revenue, %	17.0	25.9	48.3	8.4	0.3	100.0
Other income	3	4	8	1	-	16
Directly attributable costs:						
Impairments	(9,741)	(11,164)	(16,374)	(3,303)	(27)	(40,609)
Marketing	(2,122)	(4,610)	(9,471)	(2,294)	(1,238)	(19,734)
Attributable Product Margin	**9,308**	**16,408**	**34,203**	**4,850**	**(865)**	**63,905**
Attributable Product Margin, %	44.0	51.0	57.0	46.4		51.4
Non-directly attributable costs:						
Personnel expenses	(3,604)	(5,478)	(10,222)	(1,778)	(1,069)	(22,151)
Lending costs	(984)	(1,496)	(2,791)	(486)	-	(5,756)
Other administrative expenses	(108)	(164)	(305)	(53)	(444)	(1,074)
Depreciation and amortization	(293)	(446)	(832)	(145)	(623)	(2,338)
Other operating income and expenses	(2,358)	(3,585)	(6,688)	(1,164)	(647)	(14,442)
Total Non-directly attributable costs	**(7,347)**	**(11,168)**	**(20,838)**	**(3,625)**	**(2,783)**	**(45,761)**
Operating profit	**1,961**	**5,240**	**13,365**	**1,225**	**(3,647)**	**18,144**
Gross Product Margin, %	9.3	16.3	22.3	11.7		14.6
Unallocated finance income						92
Finance expenses	(626)	(1,419)	(2,718)	(852)	(85)	(5,699)
Unallocated finance expense						(2,809)
Finance expenses	(626)	(1,419)	(2,718)	(852)	(85)	(8,508)
Finance costs, net	(626)	(1,419)	(2,718)	(852)	(85)	(8,416)
Profit before income tax	**1,335**	**3,821**	**10,647**	**373**	**(3,732)**	**9,728**
Net Product Margin, %	6.3	11.9	17.7	3.6		7.8
Accounts receivable – loans to customers	30,994	70,267	134,566	42,181	4,200	282,209
Unallocated assets						220,969
Unallocated liabilities						400,114

*Includes Mobile Bank, FerBuy, Primeloan and Ferratum P2P

4.2 Business segments in H1 2017

EUR '000	Microloan	PlusLoan	Credit Limit	SME	Mobile bank*	Total
Revenue	21,995	28,446	47,720	5,518	52	103,730
Share in Revenue, %	21.2	27.4	46.0	5.3	0.1	100.0
Directly attributable costs:						
Impairments	(11,937)	(10,655)	(11,806)	(1,238)	(263)	(35,899)
Marketing	(1,308)	(4,484)	(8,552)	(1,375)	(154)	(15,872)
Attributable Product Margin	**8,750**	**13,308**	**27,362**	**2,904**	**(364)**	**51,960**
Attributable Product Margin, %	39.8	46.8	57.3	52.6		50.1
Non-directly attributable costs:						
Personnel expenses	(3,383)	(4,375)	(7,339)	(849)	(731)	(16,677)
Lending costs	(1,015)	(1,313)	(2,203)	(255)	-	(4,786)
Other administrative expenses	(278)	(359)	(603)	(70)	(201)	(1,510)
Depreciation and amortization	(202)	(261)	(437)	(51)	(388)	(1,338)
Other operating income and expenses	(2,411)	(3,118)	(5,231)	(605)	(1,342)	(12,706)
Total Non-directly attributable costs	**(7,289)**	**(9,426)**	**(15,813)**	**(1,828)**	**(2,661)**	**(37,018)**
Operating profit	**1,461**	**3,881**	**11,549**	**1,076**	**(3,026)**	**14,942**
Gross Product Margin, %	6.6	13.6	24.2	19.5		14.4
Unallocated finance income						643
Finance expenses	(550)	(1,023)	(1,820)	(418)	(6)	(3,817)
Unallocated finance expense						(5)
Finance expenses	(550)	(1,023)	(1,820)	(418)	(6)	(3,822)
Finance costs, net	(550)	(1,023)	(1,820)	(418)	(6)	(3,179)
Profit before income tax	**911**	**2,859**	**9,729**	**658**	**(3,032)**	**11,763**
Net Product Margin, %	4.1	10.1	20.4	11.9		11.3
Accounts receivable – loans to customers	32,429	60,258	107,268	24,618	367	224,939
Unallocated assets						119,877
Unallocated liabilities						249,141

*Includes Mobile Bank, FerBuy, Primeloans and Ferratum P2P

4.3 Revenue split

EUR '000	Jan – Jun 2018	Jan – Jun 2017
Revenue, international	102,638	83,896
Revenue, domestic	21,594	19,834
Total revenue	**124,232**	**103,730**

4.4 Revenue of business segments geographically

In addition to presenting the performance of operating segments by product type, Ferratum Group also reports revenue by geographic region. While geographical reporting has previously been based on the coverage of the Group's previous international management structure, in 2018 the Group adopted new geographical splits which organise Ferratum's countries of operation into more conventional geographic regions.

All countries where Ferratum has operating activities are now grouped into the following four regions: Northern Europe, Western Europe, Eastern Europe and Rest of the World. The full list of countries within each region, together with the total revenues generated by each region for the six months ended 30 June 2018 and six months ended 30 June 2017, are presented in the following table.

EUR '000		Jan – Jun 2018	Jan – Jun 2017
Northern Europe	Finland, Sweden, Denmark, Norway	52,242	40,725
Western Europe	France, Germany, Netherlands, Spain, UK	28,224	23,703
Eastern Europe	Bulgaria, Croatia, Czech, Estonia, Latvia, Lithuania, Poland, Romania, Russia, Slovakia	38,739	34,573
Rest of the World	Australia, Brazil, Canada, Mexico, New Zealand, Nigeria	5,026	4,729
Total revenue		**124,232**	**103,730**

5. PERSONNEL EXPENSES

EUR '000	Jan – Jun 2018	Jan – Jun 2017
Salaries and other employee benefits (incl. bonuses)	(16,346)	(12,389)
Employee pension expenses	(537)	(432)
Other personnel expenses	(4,395)	(3,168)
Share-based payments equity settled*)	(873)	(688)
Total personnel expenses	**(22,151)**	**(16,677)**

*) According to IFRS 2 (Share-based payment) certain expenses need to be recorded in the income statement as equity settled share-based payments. These expenses reflect the calculated benefit of options granted to key employees. New employee option plans were introduced in April, August 2015, in April, December 2016, as well in January, September and November 2017 designed to provide long-term incentives for key management and employees to deliver long-term shareholder returns and increase their commitment to the company. Under the plans, participants are granted options with a defined fixed exercise price which only vest if the EBITDA in the audited consolidated statements under IFRS of the company has grown by an average of 25% a year during the four financial years prior the commencement of the exercising period of the options. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option may be converted into one ordinary share.
The share subscription price for each option shall be EUR 11.90, which constitutes 70% of the initial public offering price of the company's share on Frankfurt Stock Exchange on February 6, 2015. The fair value is independently determined using the Black and Scholes model, taking into consideration the terms and conditions of the grant.

6. OTHER OPERATING EXPENSES

EUR '000	Jan – Jun 2018	Jan – Jun 2017
Rent and other office expenses	(2,304)	(1,899)
Travel expenses	(975)	(1,084)
Professional fees (excl. Audit)	(5,153)	(4,438)
Audit fees	(580)	(290)
Other expenses	(5,430)	(5,015)
Total other operating expenses	**(14,442)**	**(12,726)**

7. FINANCE INCOME

EUR '000	Jan – Jun 2018	Jan – Jun 2017
Interest income from cash and cash equivalents	75	232
Derivatives held for trading – net gain / (loss)	17	42
Foreign exchange gain, realized		369
Total finance income	**92**	**643**

8. FINANCE COSTS

EUR '000	Jan – Jun 2018	Jan – Jun 2017
Interest on borrowings	(4,988)	(3,630)
Derivatives held for trading – net gain / (loss)		(5)
Other finance expenses paid on borrowings	(711)	(187)
Foreign exchange loss on liabilities, realized	(2,809)	
Total finance costs	**(8,508)**	**(3,822)**

9. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of all shares to assume conversion of all options granted to employees. Options are considered to be potential ordinary shares since each option may be converted into one ordinary share.

EUR '000	Jan – Jun 2018	Jan – Jun 2017
Profit for the reporting period attributable to owners of the parent	8,269	10,002
Weighted average number of ordinary shares in issue	21,578	21,578
Adjustment for calculation of diluted earnings per share:		
Options	131	101
Diluted weighted average number of ordinary shares in issue	21,709	21,679
Earnings per share, basic	**0,38**	**0,46**
Earnings per share, diluted	**0,38**	**0,46**

10. ACCOUNTS RECEIVABLE - LOANS TO CUSTOMERS

EUR '000	30 Jun 2018	31 Dec 2017
Accounts receivable - loans to customers (gross)	404,683	336,243
Less: provision for impairment of loan receivables	(122,474)	(78,837)
Accounts receivable - loans to customers (net)	**282,209**	**257,406**

The Group does not have a material amount of individually impaired loan receivables. The ageing analysis of loan receivables which are collectively assessed for impairment is as follows:

EUR '000	30 Jun 2018				31 Dec 2017			
	GBV*	Provision for impairment	NBV**	ILCR***, %	GBV*	Provision for impairment	NBV**	ILCR***, %
Current	173,653	(4,534)	169,120	2.6	216,988	(10,159)	206,829	4.7
1-90 days due	79,768	(17,391)	62,377	21.8	29,895	(7,668)	22,227	25.6
91-180 days due	24,950	(14,503)	10,447	58.1	20,904	(9,228)	11,676	44.1
>181 days due	126,312	(86,047)	40,266	68.1	68,456	(51,782)	16,674	75.6
Total	**404,683**	**(122,474)**	**282,209**	**30.3**	**336,243**	**(78,837)**	**257,406**	**23.4**

*GBV = Gross book value
**NBV = Net book value
***Impaired loan coverage ratio

The Group uses an allowance account to recognize the impairment losses on loans to customers. Reconciliation of movements in the allowance account is as follows:

EUR '000	Jan - Jun 2018	Jan - Jun 2017
Provision for impairment on January 1	(78,837)	(62,664)
IFRS 9 Implementation impact	(9,263)	
Impairments on loans	(40,609)	(35,899)
Amounts fully reserved and booked out	6,235	24,469
Provision for impairment on June 30	**(122,474)**	**(74,095)**

11. SHARE CAPITAL AND OTHER RESERVES AND DISTRIBUTIONS TO EQUITY HOLDERS OF THE PARENT

EUR '000	Number of shares	Share capital	Treasury share	Unrestricted equity reserve	Other reserves
On 1 Jan 2017	**21,723,960**	**40,134**	**(142)**	**14,708**	**(1,202)**
Increase of share capital					
Distribution of funds					
Currency translation differences					(1,212)
Transfers between items					173
On 31 Dec 2017	**21,723,960**	**40,134**	**(142)**	**14,708**	**(2,240)**
Increase of share capital					
Distribution of funds					
Currency translation differences					(1,142)
Transfers between items					112
On 30 Jun 2018	**21,723,960**	**40,134**	**(142)**	**14,708**	**(3,269)**

The cumulative translation differences of EUR -1,142,000 in the statement of changes in consolidated shareholders' equity contain the translation differences arising from translating the financial statements of non-euro area business units.

On 30 June 2018, Ferratum Group had 146,200 treasury shares in its possession which represent approximately 0.7% of the share capital and voting rights. No consideration is paid to the treasury shares in a distribution of equity.

The unrestricted equity reserve contains the amount paid for shares in a share issue and the amount when converting convertible capital notes to shares. Other reserves include legal reserves in Ferratum Group companies.

12. INTEREST BEARING LIABILITIES

EUR '000	30 Jun 2018	31 Dec 2017
Non-current interest bearing liabilities		
Bank borrowings		
Bonds issued	137,596	64,049
Total non-current interest bearing liabilities	**137,596**	**64,049**
Current interest bearing liabilities		
Bank borrowings	198	24,983
Bonds issued	56,621	44,758
Deposits from customers	188,474	174,301
Total current interest bearing liabilities	**245,293**	**244,042**
Total interest bearing liabilities	**382,888**	**308,091**

13. CURRENT NON-INTEREST BEARING LIABILITIES

EUR '000	30 Jun 2018	31 Dec 2017
Current tax liabilities	**1,166**	**1,867**
Trade payables	**7,482**	**9,838**
Other current liabilities	**8,465**	**10,648**
Interest liabilities	2,862	1,397
Accrued employee expenses	2,383	2,323
Other current accrued liabilities on expenses, interest-free	3,220	6,929
Total current non-interest bearing liabilities	**17,113**	**22,353**

14. RELATED PARTY DISCLOSURE

Ferratum Group is controlled by Jorma Jokela, who owns 55.17% of the parent company's shares. The company also holds treasury shares.

Related parties of Ferratum Group are members of the board, senior management team, their close family members and the companies in which the member of the board or senior management team and their close family members have significant control or joint control. Also companies where Ferratum's controlling individual has control, joint control or significant influence is considered to be a related party of Ferratum Group.

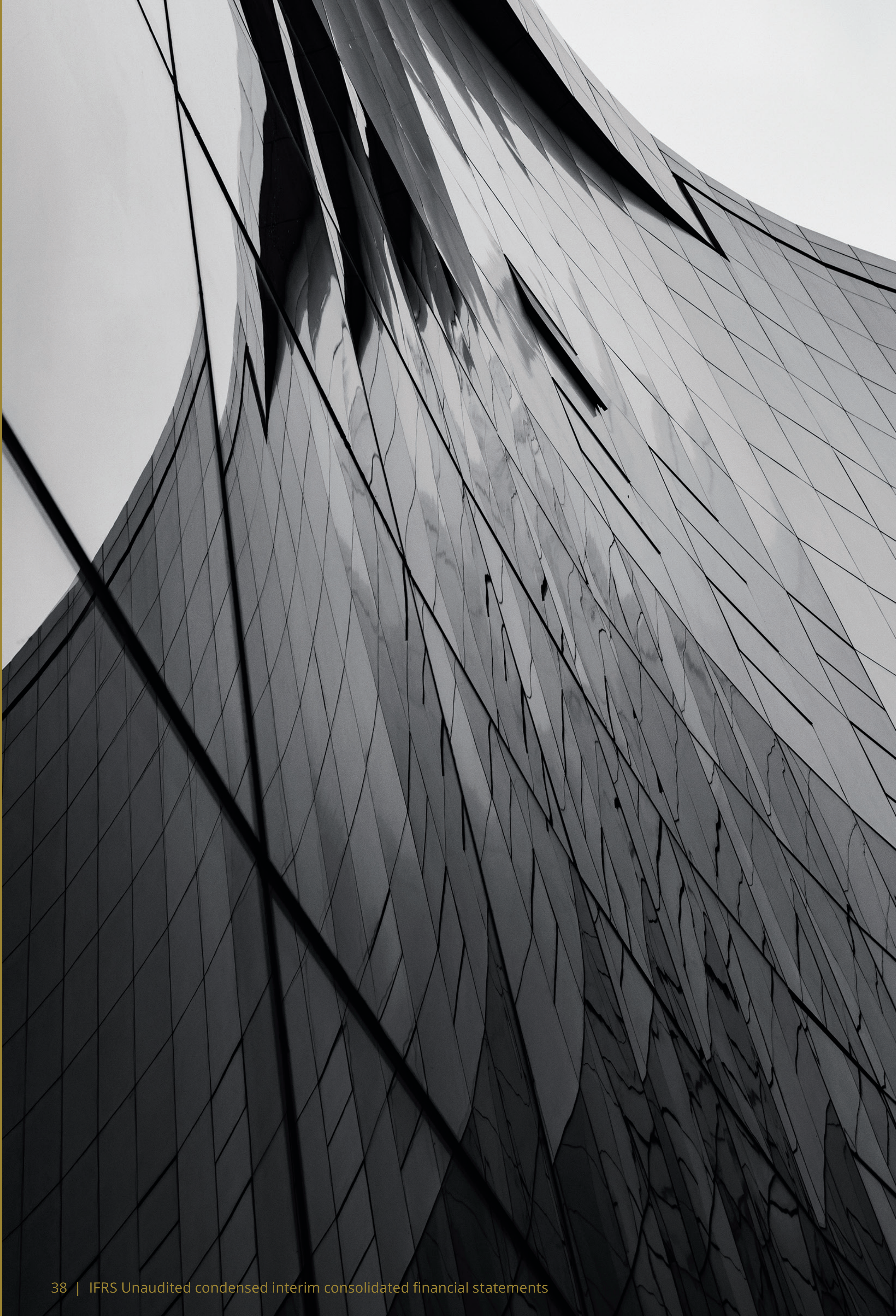
Transactions with related parties

EUR	Jan – Jun 2018	Jan – Jun 2017
Purchase of services from related parties – Entity controlled by key management personnel	499	332
	499	**332**

The Group has business relationships with related party companies. The acquired services include administrative services, project management, advisory and consulting services, legal counselling, flight travel services and warehousing services. Related party transactions have been carried out on generally accepted market terms and they have been based on the market price of goods and services.

15. COMMITMENTS

EUR '000	30 Jun 2018	31 Dec 2017
Credit limit agreement		
Total amount of limits granted to Ferratum	35,111	35,111
Limit in use	0	24,538
Collateral on own debt		
Guarantees	196,958	110,000
Corporate pledge	20,000	20,000
Pledged subsidiary shares	11	11
Pledged investments	5	5
Operating lease		
Lease liabilities due within the next 12 months	1,769	773
Lease liabilities due after the next 12 months	2,410	824
Total operating lease liabilities	**4,179**	**1,597**



16. APPROVAL OF INTERIM REPORT

The Ferratum Group Interim Report (six months ended 30 June 2018) has been approved and submitted by the company's Management Board composed of:

Pieter van Groos
Chairman of the Board

Lea Liigus
Member of the Board

Jorma Jokela
CEO, Member of the Board

Erik Ferm
Member of the Board

Juhani Vanhala
Member of the Board

Christopher Wang
Member of the Board

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For further information on the Ferratum share and all publications please visit www.ferratumgroup.com


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